

MINUTES
LEGISLATIVE RESEARCH COMMISSION (LRC)
ENERGY POLICY ISSUES

COMMITTEE MEETING

April 18, 2012

Senator Rucho – Opening Remarks

I read an article yesterday on CNBC talking about a manufacturing resurgence in US-related manufacturing businesses, which is great news for North Carolina. That used to be the cornerstone to our economy, and hopefully, at some point we can reestablish that kind of investment in our state and a lot of credit was going to the fact that we are able to now compete with the rest of the world on cheap energy which makes those manufacturing businesses again, we will get North Carolina and give our people a chance to get back at those good jobs. Good step forward for us.

I spoke briefly with the Governor yesterday; talked about the overview regarding our approach here on specifically shale gas exploration and potential development. She seemed pleased in the direction we were going, but within the next week we will find face-to-face time to go over a lot of the details. She will be brought up to speed with the direction that is going to be presented both in the Senate and hopefully in the House on the CNG issue.

We are going to talk about the three bills for consideration today by the full LRC and what these bills are doing is presenting a broad industry strategy where we are looking to increase energy exploration and production in an environmentally responsible manner; ensure our state continues to benefit from reliable and affordable energy so that our homes and our businesses can run and hopefully be affordable for our citizens and competitive for our businesses. And then create a new energy sector in both natural gas and biofuels that will create good quality jobs for the future of our citizens and also revenue for the state which we would enjoy as we prioritize our efforts on education, transportation.

Some of the highlights of the three bills will be explained individually by our staff members and then some discussion on each bill by our members of the commission.

The first draft bill talks about a joint resolution sending a message to the President and the federal government that our nation is in need of a comprehensive energy plan for domestic production, and in doing so, we hope the President and Congress will open up the outer continental shelf for the opportunity of exploration and production of natural gas, share the revenues with coastal states, and also reopen the Yucca Mountain so that we can find a long-term solution to nuclear fuel, and revisit the regulatory over-reach by the EPA in studies of recent rules and changes that are crippling our energy

production, and also making the ability to have business and also live here especially with the issue of coal fired electric plants. They can get more expensive and more challenging.

Clean Energy and Economic Security Act is the first one that we will entertain, and under that, we are talking about shale gas exploration and production and a couple of components of that would include a clear understanding of what the impact is to horizontal drilling and hydro fracking in the effort to try and develop a potential shale resource in North Carolina. The Department of Natural Resources did an excellent study on this and that was the first step, and I would trust that the effort of this committee will move forward and ultimately the General Assembly in implementing all of the parts of that report. And if there are others that we would be specifically interested in like making sure that our aquifers for our water are kept up to its quality as of this moment and none of what goes on should impact them in any manner.

We will also be looking at it trying to increase the supply of energy for our state to meet the demands of the growing and, hopefully, vibrant economy.

We are talking about following the recommendations as I mentioned to DENRs draft study guide which again I say to you was done very thoroughly, and I was very impressed with the results. They did a real diligent job of getting all the facts out on that issue. We will also be looking at, as part of the Clean Energy and Economic Security Act, establishing a bi-partisan Oil and Gas Board to develop rules and regulations, probably over the next two or three years, so that at some time whenever that benchmark is reached, we are satisfied with a state-of-art best practice then we can continue on down the road to the possibility of production if and when the time comes in finishing that benchmark. That nine member board will be composed of three nominations from the governor, three from the Speaker of the House and three from the President Pro Tempore of the Senate. There will be an immediate moratorium placed on any horizontal drilling and hydro fracking through July of 2014, as basically over the next couple of years, we will be putting together rules and regulations in forming the policies on how this can be done safely, not only just environmentally, but also for the protection of the landowners and the municipalities and counties that are going to be in that area. That will be under the direction of the Department of Environment and Natural Resources and Oil and Gas Board.

There will be a requirement for DPI to purchase new school buses that run on CNG and that will also help increase the demand and provide a clean energy source at a very, very large savings when compared to diesel fuel. So there are a couple of big advantages for the state to move in that direction. By July 2013 those Type C buses, which are currently being produced and purchased by other states but specifically out of Thomas Built, will potentially be added to our school bus system in trying to make a conversion over the next number of years as we move forward. The Task Force will again work with private industry to develop public/private partnerships on CNG refueling capabilities.

The last portion we will discuss today will be Energy Jobs from Biofuels. North Carolina is an agribusiness sector state with the number one industry in the state being agribusiness, and that we are very proud of. It is about a \$72 billion industry and there is a lot of opportunity for us to grow non-food based crops such as energy grasses on fallow land to create ethanol. Companies are already looking to invest hundreds of millions of dollars in this state to create hundreds of jobs for farmers and truckers alike and some of the highlights of that bill would be creating a pilot program of 15,000 acres over a five-year time frame that allows for planting of the energy grass feed stocks in advance of plant construction and it will be ready at that point so that there will be feed stock for those plants to use immediately once we get that feed stock prepared. Data from these feed stocks will be used to determine the nitrogen uptake and a number of other areas that we discussed in our last meeting. It was very comprehensive and very challenging because of the fact of all those nitrogen numbers we talked about, but they were important in trying to achieve our goal. We will be looking at extending the bio-energy tax credit from 2013 to 2015 so this will be an opportunity for us to stimulate an industry that could really benefit our state.

That outlines an overview of what we are going to discuss today.

Jeffrey Hudson, staff member, was then recognized to explain the legislative proposal of a Joint Resolution.